

TESTIMONY BEFORE THE ENVIRONMENT COMMITTEE OF MATTHEW HENNESSY,
MANAGING DIRECTOR OF TREMONT PUBLIC ADVISORS, LLC REGARDING
**SENATE BILL 27, AN ACT CONCERNING CONNECTICUT'S RECYCLING AND
MATERIALS MANAGEMENT STRATEGY**

March 7, 2014

Senator Meyer, Representative Gentile, and Members of the Environment Committee, I come before you today to request that the Committee add language to Senate Bill 27 requiring that the Materials Innovation and Recycling Authority (MIRA), as the successor agency to the Connecticut Resource Recovery Authority (CRRRA) post sufficient bond to pay for any future judgments ordered by a Connecticut or Federal court arising from pending litigation against CRRRA. As the administration and legislature restructure CRRRA, this enhancement of the proposed legislation will allow MIRA to make a clean break from CRRRA's checkered past and provide reasonable protections for those with legitimate claims against CRRRA.

As you may know, a limited number of actions are presently pending against CRRRA in the Superior Court including one claim identified by the November 7, 2013 Cohn/Reznick Audit of CRRRA authorized by the legislature of \$47 million. The audit and other recent developments raise considerable concerns that MIRA as successor to CRRRA may not be able to satisfy legitimate judgments arising from CRRRA's acts. The following issues are of particular concern:

- At least \$30 million of CRRRA's cash reserves are being swept by the State. As part of the State's taking responsibility for post-closure monitoring of CRRRA landfills these assets are being transferred.
- CRRRA's reserves seem to be rapidly depleting. The Cohn/Reznick audit identified \$54,280,800 in assets available for post closure care and monitoring of CRRRA landfills in June 2013. In a January 2014 presentation to CRRRA member towns, the President of CRRRA stated the reserves were less than \$35 million, and being rapidly spent down.
- CRRRA continues to lose major municipal clients. A coalition of Fairfield County towns are scheduled to end their contracts with CRRRA this June and have indicated they will not renew their agreements, joining communities such as West Hartford and Waterbury that have recently canceled their contracts with CRRRA.
- There are serious questions about the valuation of CRRRA assets. The Cohn/Reznick audit stated that discrepancies in the valuation of the power facilities were of "major concern" (p.98). If the true values of CRRRA assets are unknown, it would be difficult to determine the potential viability of the authority going forward.

These issues raise considerable uncertainty about the viability of MIRA. Not only would the requirement for MIRA to post a bond provide a reasonable protection for those with legitimate claims against CRRRA, it would also relieve MIRA from the considerable expense of additional Pre- Judgment Remedy litigation. I thank you for your consideration of my request and look forward to any questions you may have.